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EXECUTIVE SECRETARIAT

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20	ES		X (w/o att)		
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SUSPENSE			23 May		
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Remarks

Please consult with DDI as appropriate.

Executive Secretary

18 May 1984

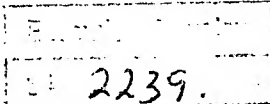
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The Director of Central Intelligence

Washington, D.C. 20505



18 May 1984

MEMORANDUM FOR: Chief, LA Division, DO
FROM: Director of Central Intelligence
SUBJECT: Early Warning article re
Central America

I would like your comments on the
attached.

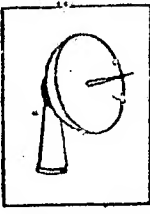
A handwritten signature in dark ink, consisting of a stylized "C" followed by a horizontal line.

William J. Casey

Attachment:
Copy of article



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Confidential

EARLY WARNING

Vol. II, No. 4

May, 1984

The Crumbling of Central America

While the Reagan Administration's Central American policies are enmired in a gruelling battle with Congress, there are signs of a very rapid - and potentially disastrous - deterioration in the anti-communist fighting forces in the field. EW's intelligence sources report that General Raúl Menendez Tomassovich, who is Raúl Castro's deputy at the defense ministry in Havana, has been placed in charge of a planned guerrilla offensive that will not only involve the effort to set up a "provisional liberated government" in a "liberated zone" on Salvadoran territory, but will extend to Honduras, Guatemala and Costa Rica and to attacks on American citizens throughout the region. General Menendez recently visited Managua for a series of high-level planning sessions with Nicaraguan defense officials, guerrilla leaders from El Salvador, and their Cuban field advisors.

The month ahead will see intense activity on several fronts in Central America. Three major political events are looming up in May. They will pose a less severe test for the United States than the probable escalation in guerrilla activity and the mounting disarray in the ranks of the Reagan Administration's allies in the region, and can be quickly summarized:

1. **The runoff election in El Salvador.** We expect that the Christian Democrat candidate, José Napoleón Duarte, will emerge the victor and that the country's military chiefs will allow him to take office as the next President. This will not heal the deep divisions in the anti-communist camp in El Salvador. Furthermore, Duarte will be a prime target for extreme right-wing assassins. We have learned from a knowledgeable source that three separate rightist hit-teams were recently infiltrated into El Salvador from Guatemala. They are composed of Guatemalan extremists aligned with the newly-formed *Partido Unificado Anti-comunista*. Our source believes that Duarte may be at the top of their hit-list.

2. **Presidential elections in Panama.** We anticipate that Nicolas Ardito Barletta, a former vice-president of the World Bank, will win by a comfortable margin. He is the personal choice of the real power-broker, General Noriega, the present head (and former intelligence chief) of the National Guard, who has had secret dealings with the Cubans over many years. Panama will

continue to be a reliable transshipment point for Cuban arms, money and agents en route to guerrilla groups throughout Central America.

3. **Reagan's meeting with de la Madrid.** It seems unlikely that President Reagan's scheduled meeting with Mexico's President Miguel de la Madrid will lead to any shift in Mexican foreign policy in a direction favorable to the United States. Washington has few pressure-points available at present, while clandestine Cuban activity in Mexico - with the active collusion of at least two senior members of de la Madrid's cabinet - has been stepped up.

Meanwhile, at the same moment that Congressional critics of Reagan's policies are seeking to impose new restraints on U.S. support for the anti-communist forces in Central America, those forces themselves appear to be losing strength and cohesion. This is in part the result of the demoralization fostered by the endless sparring-match between the White House and the CIA, on the one hand, and Capitol Hill and the contenders for the Democratic presidential nomination, on the other. But an internal crisis in Honduras imperils the most important base for the anti-communist resistance in Nicaragua, and confronts the Reagan Administration with the possible embarrassment of witnessing a military coup while 30,000 U.S. troops are on exercises in the region. Specifically:

CONTENTS

The crumbling of Central America	1
Soviet plan to base subs in Norway	3
Why Qaddafi unleashed his assassins	4
Syrian Forces in Libya	5
Nigeria, the Saudis and the next 'Oil Break'	6
Special Report: The LaRouche Organization ...	7
Flashpoints: Cuban spychief in Damascus; Paraguay; Iranians in North Korea; Australia and Indonesia	14

a. **Setbacks for the contras.** After the recapture of San Juan del Norte, the town on Nicaragua's Atlantic coast that Edén Pastora's ARDE managed to hold for a few days, his movement was buffered by new squabbling within the contra camp and by a clash with the Costa Rican authorities. On April 26, Costa Rican police raided ARDE offices, and there were reports that Pastora (famous, as an anti-Somoza guerrilla chieftain, under the sobriquet "Commandante Zero") was preparing to seek asylum in Panama. From a base camp near the Nicaraguan border, Pastora declared that his problem with the Costa Ricans was part of a new effort by the CIA to pressure him into linking up with the Honduran-based contras on their terms. Things were smoothed over in the end, but the episode was a reminder, not only of the crippling divisions that persist among the contras, but of the fact that the Costa Ricans are increasingly nervous that their own country is becoming a major target for the Cuban-led forces because of the sanctuaries it affords to Pastora's men.

Jealousy and suspicion run deep between the leaders of ARDE and those of the Honduran-based Nicaraguan Democratic Force (FDN) and, despite the attempts of some U.S. advisers to play marriage-brokers, a merger seems further away than ever. The Indians are a critical factor in the Nicaraguan resistance, since they control most of the guerrilla bases in the northeast of the country and have proved to be determined fighters. Steadman Fagoth, leader of the largest Miskito resistance group, MISURA, was trying to assemble the most important leaders for a major war council at the beginning of May.

b. **Rumblings in Honduras.** Enrique Bermúdez, the military chief of the FDN, is no longer as welcome in Honduras as in recent years. According to our sources, Bermúdez was a business partner of the recently-deposed Honduran chief of staff, General Alvarez (who is currently in Miami). The prime reason for the ouster of General Alvarez, we are told, is that he had failed to cut in enough of his colleagues on the profits skimmed from a number of lucrative defense contracts; one of the most notorious involved the supply of boots to the Honduran army.

The problem for Enrique Bermúdez - and for the FDN, so long as he remains a key figure - is that the new chiefs of the Honduran army believe that Alvarez is plotting a comeback, possibly in the form of a military coup, and are nervous that his friends among the contras could give him decisive help. In his gilded exile in Miami, Alvarez is currently intriguing with well-heeled Cuban rightists leaders, notably Domingo Moreira. What worries the troika of colonels - González (the new Chief of staff), Reyes, and Eric Sánchez (who deals with the FDN) - who now control the Honduran army is that, prior to his abrupt departure from Tegucigalpa, General Alvarez is established what amounts to a private army. Under the umbrella of the benign-sounding Association for the Development of Honduras (APORH) he recruited an armed labor militia that disposes of hidden caches of arms.

The fall-out from a coup in Honduras could be lethal. Given the present mood of Congress, there would be tremendous pressure on the Reagan Administration to withdraw its military presence. If the White House succumbed to this pressure, the Nicaraguan contras would be fatally weakened and Honduras itself would become an easy and inviting target for a new campaign of subversion and guerrilla war mounted by the Soviets and the Cubans with Nicaragua, once again, as the staging-post. (An alliance of rival Honduran guerrilla factions has already been pulled together as a result of a series of meetings arranged and stage-managed by officials of the Cuban DGI.)

c. **The big push in El Salvador.** There has been much speculation about the build-up to a "fall offensive" by the Salvadoran guerrillas, whose patrons have their eyes on the U.S. presidential elections, beyond all else. They no doubt calculate that a crisis that would confront the Reagan with a choice between sending in U.S. combat troops - and losing American lives - or watching another communist victory unfold at America's back door would not improve his re-election chances. But events are speeding up at such a rate that some of our best-informed intelligence sources predict a major show-down in the field in El Salvador by early June.

They believe that the Salvadoran guerrillas and the Cubans supervising the whole campaign have set themselves are objective of establishing a "provisional revolutionary government" that could appeal for international recognition inside the borders of El Salvador. There are indications that the guerrillas will try to accomplish this within a "liberated zone" in Morazán. (The guerrillas have already established a local administration within 'liberated areas' of the Department of Chalatenango.)

d. **Terror against American citizens.** We have received a specific warning of urgent importance to U.S. citizens based in (or visiting) El Salvador, Guatemala, Honduras and Costa Rica. Our intelligence sources predict a wave of physical attacks on Americans in these countries. The most likely (and vulnerable) targets will be businessmen and - especially in Guatemala - farmers. We are told that this terrorist plan is well-advanced, and that foreign hit-men, notably Libyans, will be involved. Colonel Qaddafi's immediate response to the decision of the El Salvador government to move its embassy in Israel to Jerusalem - which presages increased Israeli help with advisers and equipment - was to promise the leaders of the FMLN that Libyan teams will fight with the Salvadoran guerrillas in the field. The motives for a chain-attack on private U.S. citizens are not difficult to discern. One of the unfortunate conclusions that terrorist organizers drew from the U.S. pull-out from Lebanon in the wake of the Beirut bombing is that, if you take American lives, the Americans will go away. In the case of Central America, they are not bent on seeing whether the principal applies to corporate board-rooms too.

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